

Hospital Charity Care and Debt Collection Activities

Robert W. Olsen
Vice President
Montana Hospital
Association
January 25, 2008

MHA on the AG's Report

- MHA members have long history of serving health care needs of their communities.
- MHA August 2006 policy urges members to:
 - Provide care at no cost to low-income, indigent.
 - Provide financial assistance to near-poor.
 - Follow Fair Debt Collection Practices Act and AHA policies on debt collection.
 - Annually identify community benefits following nationally-accepted standards and report to community.

The AG's Investigation

- Welcomed the discussion about community benefits, charity care policies, debt collection and pricing complexities.
- From outset, worked with AG's office:
 - Helped AG's staff scope the study.
 - Hospitals voluntarily supplied data.
- MHA's goal: a fair and complete report.

The AG's Report: The Rest of the Story...

- The report doesn't capture the full range of community benefits:
 - Using charity care, unpaid Medicaid costs as a proxy for community benefit paints an incomplete picture.
 - VHA/CHA reporting tool is the industry standard nationwide.
 - Consistent measurement tool, refined from just a few years ago.
 - All 11 hospitals in the study use this methodology.
 - Includes 7 Specific areas of community benefit.
 - Reports costs – not charges – of these services.
 - IRS revised Form 990, Schedule H incorporates VHA/CHA methodology.
 - AG's report should follow IRS methodology.
- Concerned about accuracy of some data.

Charity Care Policies

- Every Montana hospital has a written charity care policy
 - Based upon FPL Income standards
 - Consider third party insurance, Medicaid
 - Consider other liquid assets, non-residential property
 - Consider family income, special circumstances and other factors
- Charity policies reflect local income levels and affordability and other circumstances.
 - 150% of FPL means something different in Manhattan in NYC than in Manhattan, Montana. Billings is different from Glasgow.

Tax Exempt Status

- 501(c)(3) conferred by US Internal Revenue Service
 - Tax guidance required charitable mission, evidenced by:
 - Volunteer governing board, open medical staff
 - Operating subsidized services including emergency room or other services
 - Health promotion, community benefit, other factors.
 - Forbid distributing profits to shareholders, private enurement.

New Requirements of IRS Form 990

- Hospitals to begin reporting 7 elements
 - Charity Care, at cost
 - Subsidized “means tested” programs: Unpaid Medicaid
 - Subsidized health services (ED, Psyche, Trauma)
 - Research
 - Community Building
 - Donations
 - Community Health Services

Bankruptcy

- Hospital debt may sometimes force people into bankruptcy
 - Collection activities stop if person seeks bankruptcy protection
 - Hospitals file an affidavit to confirm debt owed at the direction of the court.
 - Hospitals do not incur large expenses for lawyers to follow the case. Hospitals report they seldom follow at all.
 - Unsecured debt seldom gets any payment, but courts make that decision.

Debt Collection Activities

- Montana hospitals comply with the Fair Debt Collection Act
 - Montana hospitals do not engage in egregious collection activities found in other states.
 - Hospital staff work hard to move low income patients from bad debt to charity care.
 - Charity care treatment requires a determination of medical indigency, not a presumption. Usually requires an application, or other significant attribute.

Pricing Transparency

- Hospitals do share their prices
- MHA considered, but chose not to adopt Wisconsin Pricepoint and Quality Check Software
 - Montana approach is to educate consumer and connect them to the hospital staff.
 - Some Montana hospital post prices and other consumer information on their own web pages.
 - Even after an average price might be determined the patient must contact the hospital, doctors and insurance companies for more information.

Quality Indicators

- Quality measures adopted by federal government are most commonly available
 - Hospital Compare is the official federal website.
 - Inpatient measures seldom fit with smaller hospitals, limited to just a few procedures
 - Outpatient measures under development, but..
 - CMS has announced that critical access hospitals barred from participation.
 - Consumers won't have good comparative data.

Our Take on Future Discussion

- Community benefit definitions and measures should follow federal tax regulations.
- Montana should not adopt state-specific community benefit amounts.
- Charity policies in Montana already contain common elements. Hospitals should be free to administer their own, unique policies.
- Billing and collection staff do have training programs offered by such organizations as the MHA, HFMA, MGMA and MHIMA.
- Debts are not pursued "into" bankruptcy.

Our Take on Future Topics

- Current hospital standards and policies do require senior management and board oversight.
- What volume of complaints about collectors or hospitals filed with AG?
- Hospital prices and quality measures are available on the web. MHA continues its work to develop useful, effective tools for the consumer.